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RUCPDO/DEPT OF COMMERCE WASHDC
RHEFDIA/DIA WASHDC
RUEKJCS/OSD WASHDC
RUEAIIA/CIA WASHDC
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC
RUEHGV/USMISSION GENEVA 1016
RUEHVEN/USMISSION USOSCE 3029
RUCNDT/USMISSION USUN NEW YORK 2414
RUEHNO/USMISSION USNATO BRUSSELS BE
RUEHBS/USEU BRUSSELS
RUEHLMC/MILLENNIUM CHALLENGE CORP
RUMICEA/USCENTCOM INTEL CEN MACDILL AFB FL

C O N F I D E N T I A L SECTION 01 OF 03 BISHKEK 000907

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TAGS: [ENRG](#) [ECON](#) [PREL](#) [SOCI](#) [KG](#)

SUBJECT: KYRGYZ REPUBLIC POWERS DOWN FOR WINTER

REF: A. BISHKEK 730

[1](#)B. BISHKEK 699

[1](#)C. BISHKEK 593

[1](#)D. BISHKEK 501

[1](#)E. BISHKEK 195

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Classified By: Amb. Tatiana Gfoeller, Reason 1.4 (b) and (d).

[1](#)1. (C) Summary: Kyrgyz Energy Minister Balkibekov briefed the Ambassador September 8 on the three government priorities for avoiding energy shortfalls this winter: 1) savings through cuts in electricity consumption; 2) improving production capacity; and 3) importing electricity. The Minister revealed that rolling blackouts to date had only generated half the planned savings, but sounded hopeful that a September 9 meeting in Almaty with his Central Asian counterparts might yield a multi-year solution to regional water and energy issues. However, he signaled that possible privatization of Bishkek-based energy sector assets would be delayed until after the winter, and he suggested that another option might be to transfer the assets to the City of Bishkek. The electricity cuts have hurt Kyrgyz businesses, realized minimal savings, added stress to the power network, and led to losses in government tax revenues. End summary.

Toktogul Still Running Low

[1](#)2. (U) The Kyrgyz Republic relies heavily on hydroelectric power from the Toktogul cascade for its energy needs. The main Toktogul reservoir is at less than half its capacity -- a major concern heading into the peak winter period for power generation. As of September 4, the Toktogul reservoir had 9.5 billion cubic meters of water, which is 30% less than this time last year. The hydroelectric cascade cannot sustain power generation if the reservoir drops below 5.5 billion cubic meters. (Note: Reftels C and D contain more background on the problem and its implications. End note.) Starting the last week of August, the government introduced rolling electricity blackouts in Bishkek in an effort to

reduce electricity consumption. Other areas of the country were already experiencing blackouts of several hours per day.

Outline of Priorities

13. (C) During an introductory meeting September 8, Energy Minister Saparbek Balkibekov briefed the Ambassador on the government's three main energy sector priorities heading into the coming winter: 1) realizing savings through cuts in electricity consumption; 2) improvements in production capacity; and 3) import of electricity from neighboring countries. Focusing on the first item, Balkibekov admitted that the current round of scheduled power cuts had only generated half of the six million kilowatt hours of planned daily savings. (Comment: Embassy notes that the schedule has not been followed, which has led to greater uncertainty about supplies and raised discontent about the equity of cutoffs. End comment.) The cuts have also added stress to infrastructure already weakened by underinvestment and lack of maintenance. Looking ahead, Balkibekov said that his ministry has been planning for daily consumption this coming winter of 45 million kilowatt hours, which is less than the 68 million kilowatt hours consumed per day last January.

Reaching Out to the Neighbors

14. (C) Balkibekov told the Ambassador he would travel to Almaty September 9 to attend talks with other Central Asian states about water, natural gas, and electricity supplies with the aim of reaching a multi-year agreement. He added that he planned to visit Turkmenistan in the middle of

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September to discuss possible exports of Turkmen electricity via Uzbekistan to the Kyrgyz Republic. Balkibekov confirmed that the next natural gas import agreement with Uzbekistan would cover deliveries starting from January 1, and said that he hoped this issue would be addressed in Almaty, but also mentioned that Uzbek feedback on natural gas proposals usually only comes in November. Although Balkibekov identified electricity imports as an option, Minister of Economic Development and Trade Akylbek Japarov advised a gathering of entrepreneurs September 8 that power generation shortcomings in neighboring countries limited any electricity import possibilities.

Putting Privatization on Hold

15. (C) When asked about plans to privatize the Bishkek thermal plant, the heating and hot water network, and the Severelectro electricity distribution company, Balkibekov confirmed that the government would postpone any decisions about these assets until after the winter passes. (Note: Refuels A, B, and E detail the government's previous plans on outside investment through a tender process in the sector. End note.) He mentioned the possibility of pursuing privatization next year, but also outlined possible plans to shift the first two assets and the Bishkek portion of Severelectro to the Bishkek mayor. Separating the Bishkek portion of Severelectro's network from the rest of the coverage area could present logistical problems and exacerbate existing "technical" losses.

Economy Reacts to Electricity Cuts

16. (C) Balkibekov told the Ambassador that the government had identified 61 "productive" enterprises to exempt from power cuts, and was in the process of negotiating dependable schedules of outages for other "medium-sized" enterprises. He lamented that "we have no alternatives" to these measures in order to conserve electricity. (Note: Certain government offices and social welfare institutions have also been

exempted from power cuts. End note.) Prime Minister Chudinov has previously reportedly stated that the power cuts will continue through the end of October, and the government has mulled over plans to shutter schools for an extended period of months this winter to save electricity.

17. (SBU) Many private sector companies have described the damaging repercussions of the power cuts. The director of a leading cellular operator told Embassy September 8 that his maintenance costs have doubled due to using batteries and diesel-powered generators for his cellular towers during the power outages. The operators of a textile mill told Embassy September 7 that they are not able to sign contracts because they are unable to guarantee delivery, workers are idle during unexpected power disruptions and, since the majority of the workers are women who must return home to tend to children, work schedules can not be modified.

18. (SBU) The government has not issued any public comment on the economic costs of the electricity cuts, and it is likely that the long-term impact on government tax revenues has not been gauged. A leading mining company executive told Embassy September 4 that government officials requested that the mine, which pays a premium tariff for uninterrupted power supplies, reduce power consumption by 20%. The executive said that government officials scoffed at the notion that taxable production would decrease by 20%, and did not seem to realize that the ore-grinding mill is the main consumer of power at the mine. The local Coca-Cola bottler told Embassy that his facility, which normally runs at full capacity and still relies on imports from Kazakhstan to meet local demand, has seen a 25% decrease in production due to power cuts and

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an increase in imports. Smaller firms operating on low margins may suffer even greater harm from the cuts, and have been largely ignored by the government.

Comment

19. (C) While the government is seeking to minimize public concern about the looming energy shortfalls this winter, the haphazard nature of power cuts has hit the country's economic performance. Lost tax and other government revenues will likely generate a larger budget shortfall than previously planned. Prospects for importing electricity from neighboring countries this winter appear questionable given Tajikistan's difficulties last winter, perennial electricity shortfalls in southern Kazakhstan, and the unknown reliability of any power sourced from or through Uzbekistan.

110. (C) The delay or possible cancellation of the electricity sector asset tender would be a major disappointment to U.S. firm AES, which had been courted by the Kyrgyz government. Given the Bishkek mayor's distaste for contracts and private investment, as illustrated by the Hyatt dispute and reports that the mayor is looking to seize land controlled by the Kyrgyz-Turkish University, any transfer of Bishkek electricity sector assets to his control could jeopardize plans to modernize the assets for long-term use.

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